STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
                     97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
                     92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 29

A. Select Medical Assistance claims for Minnesota and local trade area hospitals with admission dates from each hospital's base year.

B. Exclude the claims and charges in subitems (1) to (7):

   (1) Medicare crossover claims;

   (2) claims paid on a transfer rate per day according to Section 10.03;

   (3) inpatient hospital services for which Medical Assistance payment was not made;

   (4) inpatient hospital claims paid to a long-term care hospital;

   (5) inpatient hospital services not covered by the Medical Assistance program on October 1 prior to a rebased rate year;

   (6) inpatient hospital charges for noncovered days calculated as the ratio of noncovered days to total days multiplied by charges; and

   (7) inpatient hospital services paid under Section 15.11.

C. Combine claims into the admission that generated the claim according to readmissions at Section 12.2.

D. Determine operating costs for each hospital admission using each hospital's base year data according to subitems (1) to (5).

   (1) Determine the operating cost of accommodation services by multiplying the number of accommodation service inpatient days by that accommodation service operating cost per diem and add the products of all accommodation services.

   (2) Determine the operating cost of each ancillary service by multiplying the ancillary charges by that ancillary operating cost-to-charge ratio and add the products of all ancillary services. An ancillary operating cost-to-charge ratio will be adjusted for certified registered nurse anesthetist costs and charges if the hospital determines that certified registered nurse anesthetist services will be paid separately.

   (3) Determine the operating cost of services rendered by interns and residents not in an approved teaching program by multiplying the number of accommodation service inpatient days in subitem (1) by that teaching program accommodation service per diem and add the products of all

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11 (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 30

teaching program accommodation services.

(4) Add subitems (1) to (3).

(5) Multiply the result of subitem (4) by the hospital cost index at Section 7.0 that corresponds to the hospital's fiscal year end.

E. Assign each admission and operating cost identified in item D, subitem (5), to the appropriate program or specialty group and diagnostic category.

F. Determine the mean cost per admission within each program and the rehabilitation distinct part specialty group for the program and rehabilitation distinct part specialty group admissions identified in item E by dividing the sum of the operating costs by the total number of admissions.

G. Determine the mean cost per admission within each program and rehabilitation distinct part specialty group diagnostic category identified in item E by dividing the sum of the operating costs in each diagnostic category by the total number of admissions in each diagnostic category.

H. Determine the relative value for each diagnostic category by dividing item G by the corresponding result of item F within each program and the rehabilitation distinct part specialty group and round the quotient to five decimal places.

I. Determine the mean length of stay within each program and rehabilitation distinct part diagnostic category identified in item E by dividing the total number of inpatient service days in each diagnostic category by the total number of admissions in that diagnostic category and round the quotient to two decimal places.

J. Determine the day outlier trim point for each program and rehabilitation distinct part diagnostic category and round to whole days.

SECTION 5.0 DETERMINATION OF ADJUSTED BASE YEAR OPERATING COST PER ADMISSION AND PER DAY OUTLIER

5.01 Adjusted base year operating cost per admission for Minnesota and local trade area hospitals. The Department determines the adjusted base year operating cost per admission by program and the rehabilitation distinct part speciality group for each hospital according to items A to D.

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
                   97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
                   92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 31

A. Determine and classify the operating cost for each admission according to Section 4.01, items A to E.

B. Determine the operating costs for day outliers for each admission in item A that is recognized in outlier payments. For each base year admission that is a day outlier, cut the operating cost of that admission at the trim point by multiplying the operating cost of that admission by the ratio of the admission's days of inpatient hospital services in excess of the trim point, divided by the admission's length of stay, and then multiply the cut operating cost by each hospital's elected outlier percentage or 70 percent if an election is not made. When neonate or burn diagnostic categories are used, the department shall substitute 90 percent for the 70 percent or elected percentage.

C. For each admission, subtract item B from item A, and for each hospital, add the results within each program and rehabilitation distinct part specialty group, and divide this amount by the number of admissions within each program and the rehabilitation distinct part specialty group.

D. Adjust item C for case mix according to subitems (1) to (4).

    (1) Multiply the hospital's number of admissions by program and specialty group within each diagnostic category by the relative value of that diagnostic category.

    (2) Add together each of the products determined in subitem (1).

    (3) Divide the total from subitem (2) by the number of hospital admissions and round that quotient to five decimal places.

    (4) Divide the cost per admission as determined in item C by the quotient calculated in subitem (3) and round that amount to whole dollars.

5.02 Adjusted base year operating cost per day outlier for Minnesota and local trade area hospitals. The Department determines the adjusted base year operating cost per day outlier by program and the rehabilitation distinct part specialty group for each hospital according to items A and B.

A. To determine the allowable operating cost per day that is recognized in outlier payments, add the amounts calculated in Section 5.01, item B and divide the total by the total number of days of inpatient hospital services in excess of the trim point.

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR   7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
                       97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
                       92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 32

B. Adjust item A for case mix according to subitems (1) to (4).

(1) Multiply the hospital's number of outlier days by program and the rehabilitation distinct part specialty group within each diagnostic category by the relative value of that diagnostic category.

(2) Add the products determined in subitem (1).

(3) Divide the total from subitem (2) by the number of hospital outlier days.

(4) Divide the cost per day outlier as determined in item A by the quotient calculated in subitem (3) and round that amount to whole dollars.

5.03 Out-of-area hospitals. The Department determines the adjusted base year operating cost per admission and per day outlier by program and specialty group according to items A to C.

A. Multiply each adjusted base year operating cost per admission and per day outlier in effect on the first day of a rate year for each Minnesota and local trade area hospital by the number of corresponding admissions or outlier days in that hospital's base year.

B. Add the products calculated in item A.

C. Divide the total from item B by the total admissions or outlier days for all the hospitals and round that amount to whole dollars.

5.04 Minnesota MSA and local trade area hospitals that do not have Medical Assistance admissions or day outliers in the base year and MSA hospitals located in a state other than Minnesota, but in a county of the other state in which the county is contiguous to Minnesota. The Department determines the adjusted base year operating cost per admission or per day outlier by program and specialty group according to items A to C.

A. Multiply each adjusted base year cost per admission and day outlier in effect on the first day of a rate year for each Minnesota MSA and local trade area hospital by the number of corresponding admissions or outlier days in that hospital's base year.

B. Add the products calculated in item A.

C. Divide the total from item B by the total admissions or outlier days for all Minnesota MSA and local trade area hospitals and round that amount to whole dollars.

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
                 97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
                 92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 33

5.05 Non-MSA hospitals that do not have Medical Assistance admissions or day outliers in the base year. The Department determines the adjusted base year operating cost per admission or per day outlier by program and specialty group for non-MSA hospitals by substituting non-MSA hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data under Section 5.04.

5.06 Non-seven-county metropolitan area hospitals. The Department determines the non-seven-county metropolitan area hospital adjusted base year operating cost per admission or per day outlier, by program and specialty group under Section 15.10, by substituting seven-county metropolitan area hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data under Section 5.04.

5.07 Limitation on separate payment. Out-of-area hospitals that have a rate established under Section 5.03 may not have certified registered nurse anesthetists services paid separately from this Attachment.

SECTION 6.0 DETERMINATION OF ADJUSTED BASE YEAR OPERATING COST PER DAY

6.01 Neonatal transfers For Minnesota and local trade area hospitals, the Department determines the neonatal transfer adjusted base year operating cost per day for admissions that result from a transfer to a neonatal intensive care unit (NICU) speciality group according to items A to F.

    A. Determine the operating cost per day within each diagnostic category as defined at Section 2.0, item D, according to Section 4.01, items A to E, and divide the total base year operating costs by the total corresponding inpatient hospital days for each admission.

    B. Determine relative values for each diagnostic category at Section 2.0, item D, according to Section 4.01, items F, G, and H, after substituting the term "day" for "admission."

    C. For each Minnesota and local trade area hospital that has admissions that result from a transfer to a neonatal intensive care unit speciality group, determine the operating cost for each admission according to Section 4.01, items A to E.

    D. Add the results for each admission in subitem C.

    E. Divide the total from item D by the total corresponding inpatient hospital days for each admission in item C.

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 34

F. Adjust item E for case mix according to Section 5.01, subitem D, after substituting the term "day" for "admission."

6.02 Minnesota MSA and local trade area hospitals that do not have Medical Assistance neonatal transfer admissions in the base year. The Department determines the neonatal transfer adjusted base year operating cost per day for admissions that result from a transfer to a NICU according to items A to C.

A. Multiply each adjusted base year cost per day in effect on the first day of a rate year for each Minnesota MSA and local trade area hospital by the number of corresponding days in the hospital's base year.

B. Add the products in subitem (1).

C. Divide the total from subitem (2) by the total days for all Minnesota MSA and local trade area hospitals and round that amount to whole dollars.

6.03 Non-MSA hospitals that do not have Medical Assistance neonatal transfer admissions in the base year. The Department determines the adjusted base year operating cost per day for admissions that result from a transfer to a NICU by substituting non-MSA hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data under Section 6.02.

6.04 Non-seven-county metropolitan area hospitals. The Department determines the non-seven-county metropolitan area hospital neonatal transfer adjusted base year operating cost per day for admissions that result from a transfer to a NICU under Section 15.10 by substituting seven-county metropolitan area hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data under Section 6.02.

6.05 Long-term care hospital.

The Department determines the base year operating cost per day for hospital admissions to long-term care hospitals for the rate year according to items A and B.

A. Determine the operating cost per day according to Section 4.01, items A to D, except that claims excluded in Section 4.01, item B, subitems (2) and (4), will be included.

B. Divide the total base year operating costs for all admissions in item A by the total corresponding inpatient hospital days for all admissions and round that amount to whole dollars.

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
                       97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
                       92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 35

6.06 Long-term care hospitals that do not have Medical Assistance admissions in the base year.
The Department determines the operating cost per day according to items A to C.

A. Multiply each operating cost per day in effect on the first day of a rate year for each long-term care hospital by the number of corresponding days in that hospital's base year.

B. Add the products in item A.

C. Divide the total of item B by the total days for all long-term care hospitals and round that amount to whole dollars.

SECTION 7.0 DETERMINATION OF HOSPITAL COST INDEX (HCI)

7.01 Adoption of HCI. The most recent *Health Care Costs* published by Data Resources Incorporated (DRI) is used.

7.02 Determination of HCI. For the period from the midpoint of each hospital's base year to the midpoint of the rate year, or, when the base year is not rebased, from the midpoint of the prior rate year to the midpoint of the current rate year, the Department determines the HCI according to items A to C.

A. For each rate year, the Department obtains from DRI the average annual historical and projected cost change estimates in a decimal format for the operating costs by applying the change in the Consumer Price Index - All Items (United States city average) (CPI-U) in the third quarter of the prior rate year.

B. Add one to the amounts in item A and multiply these amounts together. Round the result to three decimal places.

C. For the 2002 rate year, the HCI is zero.

SECTION 8.0 DETERMINATION OF PROPERTY COST PER ADMISSION

8.01 Minnesota and local trade area hospitals. The Department determines the property cost per admission for each Minnesota and local trade area hospital according to items A to D.

A. Determine the property cost for each admission in Section 4.01, item C, using each hospital's base year data according to subitems (1) to (4).

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 36

(1) Multiply the number of accommodation service inpatient days by that accommodation service property per diem and add the products.

(2) Multiply each ancillary charge by that ancillary property cost-to-charge ratio and add the products.

(3) Add subitems (1) and (2).

(4) Add the results of subitem (3) for all admissions for each hospital.

B. Determine the property cost for each hospital admission in Section 4.01, item C, using each hospital's base year data and recent year Medicare cost report data that was submitted by the October 1 prior to a rebased rate year according to subitems (1) to (4).

(1) Multiply the base year number of accommodation service inpatient days by that same recent year accommodation service property per diem and add the products.

(2) Multiply each base year ancillary charge by that annualized recent year property cost to base year charge ratio and add the products.

(3) Add subitems (1) and (2).

(4) Add the totals of subitem (3) for all admissions for each hospital.

C. Determine the change in the property cost according to subitems (1) to (3).

(1) Subtract item A, subitem (4) from item B, subitem (4), and, if positive, divide the result by item A, subitem (4).

(2) Multiply the quotient of subitem (1) by 0.85.

(3) Add one to the result of subitem (2) and round to two decimal places.

D. Determine the property cost per admission by program and specialty group according to subitems (1) to (3).

(1) Assign each admission and property cost in item A, subitem (3) to the appropriate diagnostic category program and specialty group.

(2) Multiply the cost of each admission in subitem (1) by the factor in item C, subitem (3).

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 37

---

(3) Add the products within each program and specialty group in subitem (2), divide the total by the number of corresponding admissions, and round the resulting amount to whole dollars.

8.02 Out-of-area hospitals. The Department determines the property cost per admission by program according to items A to C.

A. Multiply each property cost per admission in effect on the first day of a rate year for each Minnesota and local trade area hospital by the number of corresponding admissions in that hospital's base year.

B. Add the products in item A.

C. Divide the total from B by the total admissions for all the hospitals and round the resulting amount to whole dollars.

8.03 Minnesota MSA and local trade area hospitals that do not have Medical Assistance admissions in the base year and MSA hospitals located in a state other than Minnesota, but in a county of the other state in which the county is contiguous to Minnesota. The Department determines the property cost per admission by program and specialty group according to items A to C.

A. Multiply each property cost per admission in effect on the first day of a rate year for each Minnesota and local trade area MSA hospital by the number of corresponding admissions in the hospital's base year.

B. Add the products in item A.

C. Divide the total of item B by the total admissions for all MSA hospitals and round the resulting amount to whole dollars.

8.04 Non-MSA hospitals that do not have Medical Assistance admissions in the base year. The Department determines the property cost per admission by program and specialty group by substituting non-MSA hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data under Section 8.03.

8.05 Non-seven county metropolitan area hospitals. The Department determines the non-seven-county metropolitan area hospital property cost per admission by program and specialty group under Section ~~15.05~~ 15.10 by substituting seven-county metropolitan area hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data under Section 8.03.

STATE: <u>MINNESOTA</u>
Effective: October 1, 2002
TN: 02-28
Approved: MAR 7 2003
Supersedes: 02-11   (02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/99-05/98-37/97-42/
                      97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/93-33/92-44/
                      92-31/91-17/90-25)

ATTACHMENT 4.19-A
Inpatient Hospital
Page 38

SECTION 9.0 DETERMINATION OF PROPERTY COST PER DAY

9.01 Neonatal transfers.

A.   For Minnesota and local trade area hospitals, the Department will determine the property cost per day for neonatal transfer admissions that result from a transfer to a NICU specialty group according to Section 8.01, item D, after substituting the term "day" for "admission."

B.   For Minnesota and local trade area hospitals that do not have Medical Assistance neonatal transfer admissions in the base year, the Department will determine the neonatal transfer property cost per day for admissions in the base year according to Section 8.03 after substituting the term "day" for "admission."

C.   For non-seven-county metropolitan area hospitals, the Department will determine the non-seven-county metropolitan area hospital neonatal transfer property cost per day for neonatal transfer admissions in the base year under Section 15.10 by substituting seven-county metropolitan area hospitals terms and data for the Minnesota MSA and local trade area hospitals terms and data according to Section 8.03, after substituting the term "day" for "admission."

9.02 Long-term care hospitals. For long-term care hospitals, the Department determines the property cost per day for hospital admissions to according to Section 9.01, except that claims excluded in Section 4.01, item B, subitems (2) and (4) will be included.

For long-term care hospitals, the Department determines the property cost per day according to items A to C.

A.   Multiply each property cost per day in effect on the first day of a rate year for each long-term care hospital by the number of corresponding days in that long-term care hospital's base year.

B.   Add the products in item A.

C.   Divide the total of item B by the total days for all the long-term care hospitals, and round the resulting amount to whole dollars.

SECTION 10.0 DETERMINATION OF RATE PER ADMISSION AND PER DAY

10.01 Rate per admission. The Department determines the rate per admission for Minnesota and local trade area hospitals as follows: